

CATALOG SHOWROOM CENSUS

Facts and Figs on 35 Leading Catalogers

Sales Rank	Chain (Hq. State)	Coordinator	Showroom \$ Sales (millions)		As of January 1985	Showrooms As of December 1985	Openings Projected 1986
			Last Completed Fiscal Year	Previous Completed Fiscal Year			
1	Best Products (Va.)	Independent	\$2,252.7	\$2,081.3	244	253	10
2	Service Merchandise (Tenn.) ^a	Independent	1,607.0	1,458.1	183	293	25
	H. J. Wilson (La.)	—	521.0	514.4	80	—	—
	Ellman's (Ga.)	—	80.0	74.5	8	—	—
3	Consumers Distributing (U.S.) (N.J.) ^b	Independent	450.6	369.7	160	162	N.A.
4	Ardan (Minn.)	Creative	250.0	279.0	51	46	0
5	L. Luria & Son (Fla.) ^c	Independent	149.0	145.2	35	38	3
6	W. Bell (Md.) ^d	Independent	146.1	138.0	18	21	3
7	Gordon Jewelry (Tex.)	Independent	139.0 ^e	142.0	57	62	5
8	Jewelcor (Pa.) ^e	Jewelcor	128.3	129.0	23	24	0
9	McDade (Ill.)	MAI	105.0	105.0	7	7	0
10	K's Merchandise (Ill.)	Paul Schultz	86.0	70.0	8	9	1
11	Brendle's (N.C.)	MAI	84.0	80.0	22	26	2
12	David Weis (Pa.)	MAI	83.0	80.0	11	11	0
13	Sterling Jewelry (Tex.)	Paul Schultz	75.0	75.0	5	5	0
14	Dahlkemper's (Pa.)	Paul Schultz	50.0	46.0	7	7	1
15	E. H. Tepe (Ind.)	Creative	49.3	48.8	9	9	1
16	O. G. Wilson (Tex.)	Independent	47.3	47.9	14	14	2
17	Evans (Md.)	MAI	42.0	40.0	5	6	1
18	Present (N.Y.)	MAI	35.9	28.4	11	13	2
19	Fred Gattas (Tenn.)	MAI	34.0	32.0	7	8	1
20	Goldbro (Ala.)	Charter	31.0	30.0	6	6	1
21	Witmark (Mich.)	MAI	31.0	24.0	8	8	0
22	Arthur's (N.J.)	MAI	30.0	25.0	7	7	1
23	Alexander's (S.C.)	Charter	29.0	28.0	5	5	0
24	Wilkor (Fla.)	MAI	27.0	26.0	5	6	1
25	Boardman (N.Y.)	Independent	26.0	25.0	13	13	0
26	A. J. Foland (Mich.)	American	25.0	25.0	6	6	0
27	Jewel Mart (Ohio)	Paul Schultz	25.0	23.0	4	4	0
28	Key Distributing (Ga.)	Paul Schultz	25.0	24.0	8	8	2
29	R&R (Mass.)	American	25.0	25.0	7	7	1
30	Save-Rite (R.I.)	MAI	24.0	19.0	4	4	1
31	Segall & Sons (Ga.)	American	22.0	20.0	6	6	0
32	Wes Freedman (Pa.)	Charter	18.0	16.0	6	6	0
33	Hartman (Calif.)	Independent	18.0	19.0	11	9	1
34	Value House (N.M.)	Paul Schultz	18.0	16.0	5	6	0
35	Paysaver (Mass.)	Jewelcor	15.7	14.0	5	6	0

(a) Service Merchandise's sales don't include those of H. J. Wilson and Ellman's, which were acquired earlier this year. Showroom count for December 1985 includes units from both acquired chains. (b) Volume in Canadian dollars. (c) Last completed fiscal year ended at presstime. (d) Fiscal year ended September 1984. (e) Volume is total for showroom chain and catalog coordinator arms. N.A.—Not available.

Source: DSN Research, annual reports.

Showroom Industry Consolidation Snowballs

Nationwide DSN Report

The consolidation of the catalog showroom industry reached a fevered pitch this year, as the strong continued to grow while smaller chains struggled to hold their own.

While the industry contracts, the top chains are driving to insure future strength by developing new upscale showroom prototypes. The chains hope these units will enhance the consumers' overall shopping experience while boosting impulse sales, especially of higher-profit jewelry and giftware. The goal is to induce customers to regularly shop the showroom, rather than just occasionally as the destination for goods preselected from the catalog.

The consolidation under way in the industry's showroom chain segment is evident from such actions as:

- Service Merchandise, the second-largest company, swallowing up H. J. Wilson, previously No. 3 and Ellman's, formerly No. 14, to become a \$2.5-billion-plus chain and challenge Best Products for the top spot.
- Consumers Distributing (U.S.), now the third-largest

cataloger, sharply curtailing its expansion that once saw as many as two dozen showrooms being opened annually to only two or three units, as it searches for a more productive format.

- Ardan continuing to close showrooms—five during the past 60 days on top of nine shut in early January—with no new stores planned for the year.
- Smaller chains either closing down completely, like Dowling, J. B. Alexander and Nat Halpern, or switching to other businesses. Midstate, for example, became an appliance and consumer electronics specialty retailer, and Bridgeport shuttered its three showrooms and retained only its jewelry specialty store.

Development Noted

The catalog coordinator segment saw Federated Merchandising disband less than three months ago, with members who operate showrooms joining George Associates to boost that coordinator from a West Coast orientation to one with a national scope.

However, trade observers speculate that further coordina-

tor consolidations could be in the works, as a joint trade show involving George, Jewelcor and possibly American Merchandisers has been proposed.

Additionally, the demise of the small, family-run companies with only one or a handful of showrooms could force coordinators geared to this end of the catalog industry to consolidate or else look to other aspects of the marketing business to survive.

The bottom line of the consolidation is that the showroom industry's overall volume remained flat at \$7.9 billion.

More importantly, the industry has clearly split into three distinct company groupings. The dominant one is composed of Best and Service, which together account for about \$4.5 billion in sales or more than 55% of the industry's total volume.

A second portion is a mix of multiunit operators headed by Consumers Distributing (U.S.), with its \$450-million-plus (Canadian) volume. However, the bulk of this segment is composed of catalogers with sales in the \$15 million to \$150 million range and includes public chains like L. Luria & Son

and W. Bell and privately held firms like Brendle's, Goldbro, McDade, R & R, Witmark, E. H. Tepe, Value House, David Weis and Jewel Mart that show slow but steady growth in sales and store count.

Finally, there's the one- and two-showroom operation that is quickly disappearing from the industry.

New-Store Plans

The Big Two are driving the industry's growth, with Service, apart from its acquisitions, opening 20 showrooms this year and Best unveiling 9.

The middle group of chains has sharply curtailed expansion plans, with only about two dozen new showrooms scheduled to be opened by these approximately three dozen companies.

These firms, executives acknowledged, are faced with the need to maintain and try to increase sales in a retailing environment in which catalog merchandising has peaked, other hard lines specialty store formats are hot and the larger showroom chains are on the prowl for more acquisitions as the low-cost way to obtain real estate and a greater market

share.

Service's acquisition of H. J. Wilson and Ellman's enabled the company to become a power in Texas, markedly strengthen its presence in Florida and Atlanta and boost its coverage of other markets at much less cost than if the Nashville cataloger had to open the same 80 stores from scratch.

Best and Service are also facing up to the challenge of sparking sluggish showroom sales and growth.

Best's direction is illustrated by its unveiling of a new look, upscale showroom presentation designed to draw customers on regular shopping expeditions. It focuses on jewelry and giftware as the profit power areas.

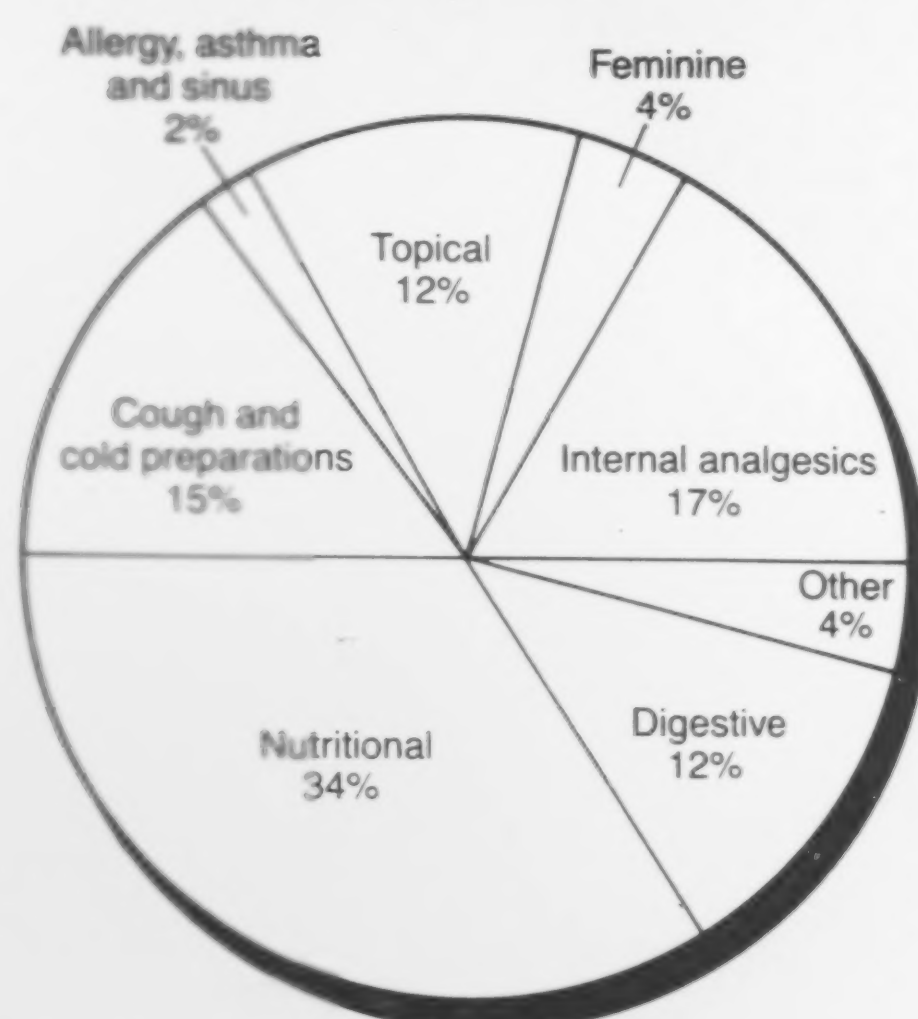
Service, which had already developed a new showroom format, will begin feeding apparel into selected stores over the next three years as a new sales and traffic draw. It has also hired a Madison Avenue ad firm to develop a TV campaign directed at inducing consumers to regularly shop its showrooms, not just come in for specific items preselected from the catalog.

**U.S. Manufacturers' Sales
Of Nonprescription Drugs, 1983-84**
(Millions of dollars)

Category	1983	1984	% growth
Internal analgesics	\$1,223.0	\$1,375.0	12.4%
Feminine products	254.5	283.0	11.2
Topical products	920.5	1,007.4	9.4
Allergy, asthma, and sinus products	184.0	200.0	8.7
Cough and cold preparations	1,149.0	1,230.0	7.0
Nutritional products	2,623.0	2,761.0	5.3
Digestive remedies	901.5	941.0	4.4
Other products	253.5	290.6	14.6
Total	\$7,509.0	\$8,091.0	7.8%

Source: Charles H. Kline & Co.

**Percentage of Manufacturers'
Nonprescription Drug Sales by Category, 1983-84**



Source: Charles H. Kline & Co.

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OTC Drugs' Growth Paced By Analgesics

FAIRFIELD, N.J. — United States manufacturers' sales of nonprescription drugs reached almost \$8.1 billion in 1984, up 7.8% over sales in 1983 of \$7.5 billion, according to a survey conducted by Charles H. Kline & Co., a marketing consulting firm.

That figure is expected to reach \$12.1 billion in 1989, stated the survey.

Forces behind increased sales in 1984 include increased spending in the marketing of nonprescription drugs directly to consumers; the continuing trend toward self-medication as a result of heightened consumer awareness; extensive promotion of new product entries, especially in the cold medication, antacid and general arthritic pain reliever categories; and the growing number of products moving from prescription to over-the-counter (OTC) status, according to the survey.

Nutritionals (including vitamins, diet aids and prepared infant formulas), internal analgesics and cough/cold products remained the dominant product categories in 1984, accounting for 66% of OTC manufacturer sales that year.

Sales Up

U.S. manufacturers' sales were highest in the nutritional products category, reaching \$2.8 billion, or 15.2% of total nonprescription drug sales. However, the greatest category growth was in the internal analgesics category, which grew 12.4% to \$1.4 billion in 1984.

Products which experienced the greatest jump in sales last year included those linked to preventing osteoporosis in women, a health concern which became widely publicized last year, and those positioned to ease premenstrual syndrome (PMS).

According to the survey, sales of calcium supplements climbed 50% last year when reports were released linking osteoporosis to insufficient calcium intake.

Also, as consumer education on PMS increased, so did the market for related products. In 1983, 5% of sales for menstrual relief products were in the PMS segment. In 1984, PMS products accounted for about 20% of category sales.

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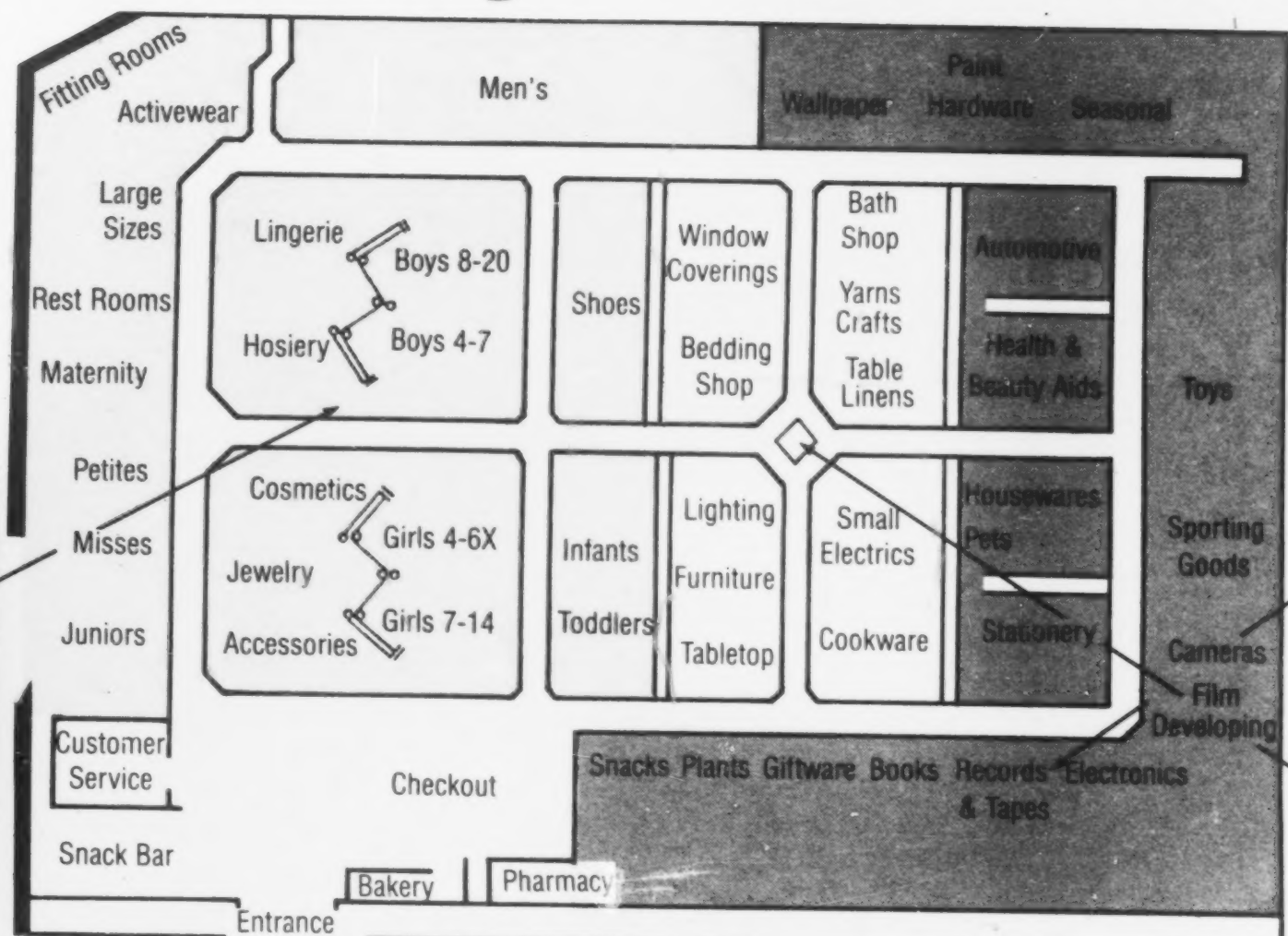
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OCTOBER 14, 1985

Jet Dramatically Softens No-Frill Look

clusive

BY MARTIN BROCHSTEIN
EDINA, Minn. — The discount industry's going to set its sights on a new Target. Target is set to unveil the first dramatic overhaul of its standard setting basic prototype in over 10 years. *Discount*



Stores News editors surveyed a remodeled 100,000-sq.-ft. store in this Minneapolis suburb and found a store that emphasizes fashion and lifestyle selling without losing the basic tonnage capacity of a large volume-producing store. If the new look is successful, say sources close to the company, it will be rolled out chain-wide, first in all new stores, then in remodeling efforts. Target executives have declined repeated requests for comment about details of the new effort,

which reportedly was developed almost totally within the company over the past nine months to a year. At present, it has been manifested only here and in a similarly remodeled unit in the Dallas suburb of Garland, Tex. The prototype revolves around three newly segmented "worlds"—Fashion World, the apparel department that greets shoppers at the off-center front entrance; Home World, coordinating 10 home goods classifications around a freestanding fo-

cal display at the center of the store; and Basic & Leisure World, highlighted by an expanded and upgraded consumer electronics department. The three worlds are separated by freestanding walls in the store's core that stretch nearly to the ceiling. Each world is denoted by a distinctive floor pattern; apparel areas are carpeted, home goods de-

partments have a checkerboard pattern of sand and gray tiles, while other hard lines departments have solid sand-colored flooring. Virtually every wall within the store is headed by a series of three backlit "lifestyle" photographs showing people using the particular department's merchandise. The store is set for its official grand reopening in the middle of this month. Store personnel said the relaying and restocking of departments took between

60 and 90 days. For the most part, merchandise in the store is the same as elsewhere in the chain. A notable exception was in the con- (Continued on page 164)

3rd Annual Store Mgr. Survey

Top Brands Poll Reflects Mix Changes

Nationwide DSN Report
Discount Store News has now completed its third consecutive yearly survey of store managers nationwide about top brands. Results of the 1985 Top Brands poll begin on page 81. The survey findings reflect the latest perceptions of discount department store managers about which brands are at

the head of 17 key soft goods and hard goods departments in their stores. Latest findings, reported in-depth in this issue, reflect several industry-wide merchandising trends—such as discounters' strengthened commitments to brand names and widespread attempts to upgrade fashion, quality and price points.

But one of the most interesting aspects of the report lies within the lists of managers' most-favored brands in each department. The rise of some brands and the decline of others, from year to year, reflect ongoing change in the nature of some departments' merchandise mix. In consumer electronics, for example, the decline of the home computer market and increased consumer favor for such items as videocassette recorders, boom boxes, personal stereos and televisions are reflected in a radically revised mix of top brand citations. Such brands as Emerson, Soundesign and RCA have been able to join General Electric and Panasonic on the top five list, displacing Atari, Commodore and Texas Instruments, which virtually ruled the roost back in 1983. (Continued on page 82)



Buyers Look For the MAGIC Touch

Men's and boys' wear merchandisers were set to search for excitement at the Men's Apparel Guild in California (MAGIC) show in Los Angeles. In shopping spring '86, they say their biggest challenge is to add sparkle and spice to a men's wear business that has become increasingly basic this year. Although the first shipments of

spring looks are on order, a look at colors and stylings inspired in the warm West Coast climate was expected to help merchandisers solidify thinking. Simple sportswear, related looks and some new colors to broaden the spectrum in men's were among areas being sought by those headed to Los Angeles.

IN BRIEF

- **AMES DEPARTMENT STORES SHAREHOLDERS HAVE** voted for a 2-for-1 common stock split for shareholders of record Oct. 18. It's the company's fourth stock split in five years.
- **GEMCO PLANS TO OPEN A THIRD 110,000-SQ.-FT.** store in its latest prototype format this quarter in Duarte, Calif. The initial two "have exceeded sales and profit expectations, and draw shoppers from a wider radius than the rest of the chain," a spokesman said.

Service Merchandise Moves to Revamp Ads, Image —See p. 39.



Off-Price Apparel Census

Top 14 Off-Pricers Near \$4B Sales mark; Industry Census, p. 49

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OFF-PRICE APPAREL CENSUS

Top Off-Price Apparel Chains

Chain	Sales (millions) (latest fiscal year)	Number of Stores			To Be Added in '86	Avg. Store Size (sq. ft.)
		Jan. '84	Jan. '85	Jan. '86		
 Marshall's	\$1,189.5	174	209	222	10	30,000
 T.J. Maxx THE MAXIMUM FOR THE MINIMUM	649.1*	118	156	191	35	24,000
 Burlington Coat Factory WAREHOUSE	309.7	51	68	80	20	58,000
 Loehmann's	305*	67	72	82	10	15,000
 Hit or Miss	278.2*	375	401	435	45	4,000
 ROSS	210.5	26	66	100	34	30,000
 SYMS	204.3	11	14	16	2	42,000
 FILET'S BASEMENT	188.8	14	15	17	N.A.	30,000
 designer depot	128*	30	52	70	N.A.	16,000
 DRESS BARN	103*	87	157	185	30	4,600
 CLOTHES TIME	98	126	155	185	35	4,000
 T.H. MANDY off-price	90.7*	16	18	16	0	1,000
 KIDS MART LABELS FOR LESS	73.4*	120	167	202	50	3,000
 NBO	54.5	13	16	19	4	10,000

N.A. not available. *DSN estimates. *Dress Barn fiscal year ended 7/30/85 *Kids Mart includes 19 Little Folk full-markup stores.

Source: DSN research

The Heat Is on as Rivalry Spreads

By KAREN PAXTON

The heat is on in the off-price apparel industry.

The success of Ross Stores, ClothesTime, Dress Barn, Burlington Coat Factory and Syms has been tempered by the demise of Pic-A-Dilly, Plums and Off-the-Rax over the past year. The slow ongoing death of J. Brannam which has shrunk from 37 units to 13 since January as the chain closes unprofitable stores market by market underscores that an industrywide shakeout is still claiming victims.

Meanwhile growth is naturally slowing for older chains, including No. 1 Marshalls which operates 222 30,000-sq.-ft. stores in 30 states. Newer operations such as Hit or Miss, Designer Depot and T. H. Mandy are still carrying a niche in the highly competitive marketplace.

K mart's Designer Depot operation started to scale back on its fashion position to attract a broader customer base last spring. At Zayre's Hit or Miss chain, president Stanley Adler has cut back on imports 25% and is reportedly re-evaluating everything from the company's real estate strategies to its systems for adjusting the mix to climatic difference throughout the chain.

Phase one of the industry's shakeout clearly hit hardest among the smaller, less focused and less operationally sound apparel off-pricers.

This year, streamlined operations, search for higher profit categories and more efficient ways to execute are strategies for success mentioned by off-price chain executives polled *Discount Store News*.

Despite the problems, sales of the industry as a whole increased by 23% to

\$8.5 billion during 1984, according to Columbus, Ohio-based Management Horizons. Although the latter consulting firm has projected 28% annual gains until 1990, T. J. Maxx president Bernard Cammarata expects a more modest 20%-a-year increase for the industry for the rest of the decade.

The larger multiclassification chains like Maxx, Ross and Marshalls are going to start having their share of troubles, predicted Paul Reisbord, chairman of C&R Clothiers, a California-based men's wear off-pricer. He feels the most narrowly focused operations with a clear niche will fare best as the industry matures. C&R, for example, sells only men's suits and sports jackets with a limited assortment of accessories.

Management at the highly successful ClothesTime obviously agrees, since that

chain went back to a juniors-only format this year. An effort to attract more older women who spend more per purchase by adding career clothing hurt margins, reported William Mowbray, senior vp, finance.

Reisbord's prediction about the larger chains holds some merit. This year Ross Stores went public to help finance its aggressive expansion eastward. The chain lands on the east coast of Florida this fall.

Although expansion seems to be slowing at Marshalls, T. J. Maxx plans to open 35 stores a year for the next five years. After 1987, Maxx will begin tackling new West Coast markets, reported Cammarata. Since Marshalls, Maxx and Ross are similar in offering family apparel, shoes, domestics and some gifts, they can only further slice the off-price pie as they enter each other's mar-

kets.

Burlington Coat, which offers family apparel, is working to strengthen its stance as an outerwear stronghold by taking over its fur coat merchandising from the lessee. Chain president Monroe Milstein is hoping to double or triple a fur business that accounts for 5% of store volume by setting up company-run departments chainwide within a year.

Adding new categories or expanding ones are part of growth plans at younger, smaller operations such as Ashby's and U.S. Shoe's Front Row operation. At the Ashby's ladies' wear chain an ongoing plan sets up intimate apparel departments—sans foundations—in all the stores. Front Row, which carries family apparel, is planning to add young juniors, intimate apparel and full-figure departments next year.

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